Outline

Here are some questions you might have:

- Ryan, do we have money for this thing I want to do?
- How is that that we have so much money in the bank, especially after COVID?
- If we have so much money in the bank, why didn't we give the teachers a raise?
- How does the budget get set anyway, and how good are we at meeting it?
- How will equity tuition change all of this?

I will try to sketch answers to these questions today.

Who are the budgeteers?

- Vidrik Frankfather, our staff accountant.
  - A past CCC parent and board treasurer
  - Has actual accounting expertise
  - Discovered errors in the work done by our contracted accounting firm, suggested that he could do it better as a part-time staff member
  - A great repository of detailed information and historical context
- Edna Tow, our school manager.
  - Also a past CCC parent
  - Collects tuition, pays salaries, processes reimbursements
  - Manages bank accounts and investments
  - A great repository of detailed information and historical context
- Board treasurer (whomever they may be)
  - May not have actual accounting experience
  - May not know a lot of historical context
  - May not have even been present when the last budget was passed
  - Facilitates communication between parents, the board, the teachers, and the staff who actually know what they are doing

What goes into our budget?

Our income is almost all tuition, and our expenses are almost all salaries.

For example, in the 2018-2019 school year:

- Total income was $\sim$ \$594k
  - 91% came from tuition ($\sim 2/3$ of this came from AM tuition)
- Total expenditures were $\sim$ \$568k
  - 87% went to personnel

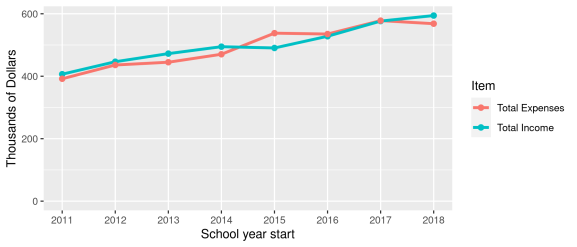
It is difficult to raise teachers' salaries without raising tuition a comparable amount.

This led to our current policy on teacher raises and bonuses (PPM page 28):

- Teachers get a COLA increase, but do not get raises.
- When we have a surplus we are supposed to:
  - Give teachers generous bonuses.
  - Fund the employee endowment fund (EEF).

So how often / how much do we have surpluses?

Budget over time: pre-COVID19



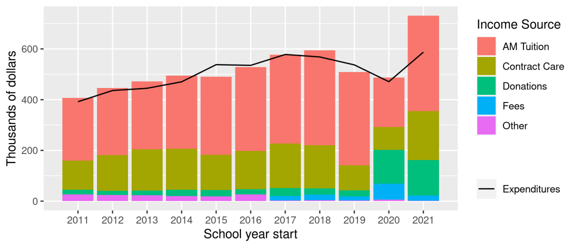
Between the 2011-2012 and 2018-2019 school years (inclusive):

- Actual income ran from ∼ \$400k - \$600k
- The largest defecit was \$47k (10%), and the largest surplus \$28k (4%)
- Over all these years, the net surplus was \$47k (∼\$6k or 1.2% / year)
- Typical variability was from a 0.5% loss to 4.5% surplus (IQR)
- We met the budget 63% of the time (5/8)

Because we run a tight budget, we may have under-invested in B&G and teacher pay.

Story of the \$47k loss: In 2015, a B&G project went over budget, causing the board to mandate increasing the required cash reserve from 10% to 20%. (PPM Article IX) Vidrik (then treasurer) created a 10-year plan to save the difference.

Budget over time: COVID19 years



When COVID hit (midway through the 2019-2020 school year):

- We charged normal tuition for 2019-2020
- Tuition dropped off *steeply* 2020-2021 (partial shutdown)
- The shortfall was made up (and then some) from *one-time donations*:
  - Past families
  - Corporate donations
  - Government assistance (e.g. forgiven paychek protection loans)
- As a result, we emerged from COVID19 with a large, one-time surplus.

The surplus first went to the 20% reserve. **Currently, about $330k remains**.

Why didn't the teachers get a big bonus in 2021? After subtracting one-time donations, the surplus was only ∼$5k, less than 1% of budget.

How is the budget made?

In practice, I understand that, in the April board meeting:

1. Vidrik and the treasurer present several (2 or 3) potential scenarios.
    - Scenarios vary capital expenditures, savings, &c
    - Teachers get a cost-of-living (COLA) increase every year
    - The scenarios increase or decrease tuition to match expenses
2. The board approves the scenarios, which are then sent for an all-school vote.

In the past, tuition was set directly, typically as a small increase over the previous year.

After equity tuition, we will not set tuition directly. Instead we will:

1. Make our budget scenarios without looking at the income of incoming families,
2. After seeing the income distribution, set the % of income that will cover expenditures for each scenario,
3. If the required % of income would be too large (e.g. $> 5\%$) make up the difference from an *equity tuition reserve*.

Some consequences of equity tuition:

- Equity tuition may make it more palatable to regularly run a surplus.
- Equity tuition will increase income volatility (I estimate at least $\pm 7\%$ of budget).
- We will need to save to fill up the reserve.

How to use the COVID19 surplus?

Currently, about $330k of the one-time COVID19 surplus remains.

Big TODO for all of us: Decide what (if anything) to do with this surplus.

Three immediate suggestions (which were colored red above):

1. Investing in buildings and grounds
2. Giving the teachers a bonus / funding the employee endowment fund
3. Jump-starting the equity tuition fund

Now is a good idea to start talking about your ideas!